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DEMOCRATIC GOVERNANCE AND SECTORAL POLICY REFORM: LINKAGES, COMPLEMENTARITIES, AND SYNERGIES

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I. INTRODUCTION

The dual transitions to more democratic political systems and market-based economies have heightened awareness of the relationships among governance, citizens, and economic progress. The United Nations Development Program, for example, has stated that “the quality of management of a nation’s economic, social, and political affairs, or governance, is the single most important influence on the extent to which its human and natural resources are used for the benefit of all, now and in the future.”¹ Similarly, the U.S. Agency for International Development identifies the strengthening and institutionalization of participatory, accountable, and transparent governance as one of the core features of democratic and sustainable development (USAID, 1994). The World Bank has become increasingly interested in the impact of governance and institutional issues on the effectiveness and sustainability of its lending. Most recently, the Bank’s World Development Report for 1997 is devoted to the topic of the interaction between the state’s institutional capacity and socioeconomic outcomes (World Bank, 1997).

The current interest in these issues stands on the shoulders of much previous analytic work. Sorting out and enhancing the appropriate roles and capacities of government taps into a long tradition in political and economic philosophy that has shaped the development of the United States and other industrialized countries. This tradition has had equally important implications for interventions to increase state institutional capacity and to promote sectoral policy reforms in developing countries and economies in transition.

Writing in 1776 about the role of the state, Adam Smith concluded that “commerce and manufactures can seldom flourish long in any state which does not enjoy a regular administration of justice, in which people do not feel themselves secure in possession of their property, in which the faith of contracts is not supported by the law.”² An equitable justice system, property rights, enforceable contracts, and a competent civil service remain equally fundamental today as the foundation that the state provides to promote economic growth and social well being. These principles have enabled the dynamic economic transformation of East Asia (see Root, 1996), and undergirded many of the policy reforms designed and implemented since the 1980s to assist countries to

move from planned to market economies (World Bank, 1996a).

Recognizing the contribution of citizen participation and democratic community action to socio-economic development has a similarly long history. Writing sixty years after Adam Smith, following his visit to the United States, Alexis de Toqueville found that town meetings “are to liberty what primary schools are to science; they bring it within people’s reach, they teach men how to use and how to enjoy it.”³ This situation arises when a citizen “takes part in every occurrence in the place...and practices the art of government in the small sphere within his reach” making the welfare of the town his own. In the international development sphere, participation has been an integral element in development strategies from the years of the early community participation efforts in the 1960s, through the participatory rural development projects of the 1970s (Nagle, 1991) and participation in government agencies (Thompson, 1995), to the current emphases on mainstreaming participation as a standard operating procedure for any development undertaking (Brinkerhoff with Kulibaba, 1996; World Bank, 1996b; Piccioto, 1995).

The appropriate role of the state and the relationship between state and citizen are at the heart of concern for governance capacity, which may be thought of as “the ability to coordinate the aggregation of diverging interests and thus promote policy that can credibly be taken to represent the public interest” (Frischtak, 1994, p. vii). The World Bank’s definition of governance makes this concern more explicit by enunciating four components: efficient public sector management, accountability, a supportive legal framework, and transparent information flows (World Bank, 1994a). These components in turn involve the legitimacy of government; accountability of political and official elements of government (media freedom and openness of information, transparent decision-making, accountability mechanisms); responsiveness to citizens; competence of governments to formulate policies and deliver services (including policy pluralism, i.e., space for incorporating the views of a range of publics); and respect for human rights and rule of law.

These broad and somewhat abstract concepts represent the principles of democratic governance (see Charlick, 1992). Prosaic and tangible illustrations of responsiveness, transparency, and accountability are found in sectoral programs. For the majority of the world’s people, most practical experience with these governance principles occurs at

the local level through interaction--or lack of it--with extension agents, forest guards, public health providers, teachers and educational system officials, mayors and local council members, etc.⁴ For many people in developing countries, the action and impact of democratic governance happens through sectoral reforms.

In almost every sector there has been considerable experimentation regarding participation, accountability, and changing roles of the private and public sectors. There is a rich lode of sectoral experience that can support and inform work on democratic governance. Much of the analysis of this ongoing experimentation, however, has focused on sectoral concerns, such as appropriate technical solutions, efficiency, or effectiveness, without necessarily relating back to more systemic governance issues. Sectoral reforms often seek to overcome weak performance that is due to what, at heart, are institutional design and governance problems (see Nicholson, 1997).

There are two dangers here: first, that "democracy and governance" will be seen by people working on sectoral reforms as a separate technical "sector," believing it to be concerned only with broader issues such as electoral, legislative, and/or judicial reform. Second, democracy and governance specialists risk concentrating solely on the broad macro-issues and losing opportunities to have more direct impact on the quality of citizen experience with democratic governance available through sector reforms. As a consequence of these twin hazards, sectoral reforms run the risk of not taking full advantage of democratic governance insight and vice versa.

The purpose of this paper is to examine the linkages between democratic governance and sectoral policy reform, and to identify actual and potential complementarities and synergies. It explores two themes that attempt to make the connections between governance and sectoral reform more explicit: 1) the extent to which improved democratic governance leads to more effective sectoral programs, and 2) the extent to which sectoral reforms contribute to and create opportunities for improved democratic governance. The paper then turns to a selected sample of sectoral illustrations of some of these linkages, with an emphasis on successful synergies. This positive focus is not intended to downplay or ignore the difficulties and constraints that exist on both sides of the equation. The concluding section of the paper provides a few observations and suggestions on ways to exploit the complementarities

and synergies between democratic governance and sectoral policy and program interventions.

II. THE ELEMENTS OF IMPROVED DEMOCRATIC GOVERNANCE

Given the breadth and complexity of the issues that governance encompasses, there is a logical concern that, as Frischtak warns, "the elasticity of the concept could be a symptom of the fact that not enough attention has been given to defining the phenomena to which it refers" (1994: 1). For the present discussion more important than a precise definition is a more operational understanding of what improved democratic governance entails. Although there may be some difference of opinion on the specifics, in general, improved democratic governance deals with three overlapping areas: 1) rationalizing the role of government; 2) empowering individuals, civil society, and the private sector to take on new roles and responsibilities; and 3) combining these two to create synergy between market and state, and government and civil society. There is voluminous literature on each of these topics--and others--that have governance implications. The analysis below summarizes some of the most salient issues that have particular importance to sectoral reform.

A. RATIONALIZING THE ROLE OF GOVERNMENT

Rationalizing the role of government includes redefining responsibility (withdrawal from some areas, strengthening intervention in others, increasing responsiveness, broadening access and equity), bringing it closer to the public (accountability, decentralization), and changing its behavior toward citizens (reducing corruption, increasing transparency, and establishing a more positively engaged bureaucracy).

1. Redefining responsibility

Improved governance implies that government get out of the direct provision of private goods and services, stop over-regulation and over-interference, and strengthen its policy and regulatory functions that allow market activity to flourish.⁵ Improved governance implies a changed, more effective state that can provide an enabling environment for private sector-led growth. Although there is a perception (e.g., Soros, 1996), backed by some of the more zealous neoliberal proponents, that strengthening

markets implies disabling the state, free enterprise requires a capable government that can provide an enabling environment in which prices, profits, and investment can operate efficiently and more or less predictably.

Achieving this balance between an active government that enables economic activity while refraining from meddling distortion is a long-standing dilemma. Adam Smith recognized both aspects, although he is remembered more for his arguments regarding the problems of government. He identified three main drawbacks to government as controller of economic activity: the lack of information that prohibits any government from knowing enough to steer resources to their best use; the perverse (but rational) behavior of bureaucrats to pursue what is best for their power and prestige but not necessarily what the public needs or wants (the principal-agent problem); and the ability of powerful interests to "capture" the state and exploit it for private gain (see Goldsmith, 1995).

All of these remain equally problematic today. The experimentation with reinvented, reengineered government is one example of efforts to shift governments to a stronger facilitator and enabler role (e.g., Osborne and Gaebler, 1992; Osborne and Plastrik, 1997). Numerous political economic analyses address these issues as well, in particular the vested interest and capture issues (e.g., Frischtak and Atiyas, 1996; Klitgaard, 1991; Meier, 1991; Ostrom, 1990). These also relate to government responsiveness, since to the extent that vested interests unduly influence or control government actors, the public sector will be responsive and accountable only to a select group of citizens (see Paul, 1991). Thus, an important element of realigned government responsibility can involve active provision of services to disenfranchised and marginalized societal groups, to facilitate their access to economic opportunity and increased well-being.

The semi-automatic assumption that redefined government responsibility means less government becomes questionable when these broader issues of democratic governance are considered, with a focus on efforts to mainstream marginalized groups into both the economy and the polity. For example, in discussing the role of the state in fostering microenterprise development in Botswana, Grosh and Somolakae (1996) argue that,

there is still much to be done to establish a supportive business environment, and in some cases this will mean increasing the

size or role of government, rather than shrinking it. This will be particularly true in the area of land tenure and administrative reform, since land markets are often key in the process of capital formation and provide collateral which is important in the beginning stages of financial sector development (p. 1887).

Exercising redefined responsibility along democratic governance lines confronts government with the tasks associated with institutional rule-making: the elaboration, promulgation, and enforcement of rules.⁶ The kinds of rules to be made are critical; they must balance discretion with discipline at multiple levels, from the constitutional to the local. According to Walker (1995: 4),

In a democratic polity, the desired end is to create the possibility of self-governance wherever possible and ... to constitute governments that serve the interest of the governed. To do so, the discretion permitted to those who govern must be disciplined--limited in scope and subject to multiple sets of rules that create incentives for those who govern to attend to the people's business and for the governed to monitor them.

There is a significant body of evidence showing that achieving this balance between discretion and discipline works better with policies based on positive incentives than on proscriptive rules and regulations (see Ostrom et al., 1993; Walker, 1995). The selective and spotty enforcement of regulations, due to weak institutional capacity, opens the door to distortion of incentives as actors seek to circumvent regulations, and to corruption as enforcers engage in rent-seeking. Besides failing to achieve what the regulations were intended to accomplish, these results breed cynicism, perceptions of unfairness, and reduced commitment by both the public and public officials.⁷

2. Bringing government closer to the public

Narrowing the gap between government and the public has both procedural and spatial dimensions. Procedurally, it comprises a range of actions that modify how the public sector operates, all the way from changing organizational cultures (customer focus, responsiveness to citizens, ethics codes, etc.), to institutional and legal reforms (ombudsman offices, public hearings, sunshine legislation, etc.),

and to accountability mechanisms (service delivery surveys, open tendering and procurement practices, etc.). These various procedural innovations all reinforce a significantly stronger emphasis on the performance of government and the civil service as critical to good governance (see Klitgaard, 1997; Paul, 1991).

Spatially, bringing government and the public closer together hinges upon decentralization. Broadly speaking, decentralization is a change in the institutional framework in which political, social, and economic decisions are made and carried out (see Klugman, 1991; VanSant, 1996; Shah, 1997). It includes the relationship between central government, agencies, and public enterprises on one hand, and between central and subordinate tiers of government on the other. It may take a variety of forms, including the following (Rondinelli et al., 1984):

- deconcentration: the transfer of service responsibility from central agencies in the capital to field offices of those agencies;
- delegation: the transfer of responsibility from central government agencies to specialized organizations that have some degree of operating autonomy;
- devolution: the transfer from the central government to autonomous units of local government that have a statutory or constitutional basis for power, distinct from the central government; and
- privatization: the transfer of responsibility for the production of goods and services to private voluntary organizations or private enterprises.

Most citizens, particularly members of marginalized groups, can most easily participate in decision-making at the local level. Consequently, decentralization is one of the principal ways in which demands for greater responsiveness and accountability can be made operational (see IPC, 1996). The impetus for decentralization does not always come from the center, however. Fisher (1992) discusses devolution from below, where citizens' groups and NGOs fill a void at the local level due to central government failures to provide services. In other words, this grass-roots devolution by default moves citizens closer to government, rather than government closer to the public.

Decentralization, while often touted as a self-evident component of any governance improvement strategy, is not an easy solution and should be seen as a complex process that requires simultaneous attention to capacity building, legal and fiscal reform, and the participation and empowerment of beneficiaries to be successful (Blair, 1996; Shah, 1997; Bouckaert and Verhoest, 1997). It ties into the broad concept of democratic governance by extending the boundaries of political power-sharing beyond state agencies to civil society groups, which engenders what VanSant (1996) refers to as "stewardship" (a willingness to be accountable for results without using control as a means to reach them); and by promoting competition and checks-and-balances between government entities at various levels.

It is important, however, not to idealize decentralization and its potential contribution to improved democratic governance. Disadvantaged or marginalized groups will not automatically have greater access or command increased responsiveness as a function of public sector decentralization, absent attention to building the capacity of such groups to exploit that access and inject their views and needs into the policy-making and service delivery process, and to creating incentives for local officials to listen. The local-level voids Fisher (1992) refers to may likely be filled by local elites rather than by broadbased, representative civil society organizations, unless measures are taken to counter cooptation. Prud'homme (1995) makes the point that decentralization can produce regional inequities, where over time the gap between better-off and less-favored regions grows. VanSant's (1996) stewardship notion is critically dependent upon some minimum threshold of common interest in making decentralization work, both between government actors at the center and the periphery, and between local government and citizens. Unless this basic commonality exists, real power-sharing (as opposed to espoused) is unlikely to take place. As Rondinelli (1997) reminds reformers, decentralization and politics are inextricably mixed.

3. Changing government behaviors and values

Two categories of behavioral change are associated with improved governance. The first has to do with reducing or eliminating undesirable behaviors: rent-seeking and corruption. The second deals with creating or reinforcing new, desirable behaviors: responsiveness to citizens, collaboration and participation, commitment to quality, performance orientation, and so on.

Reducing undesirable behaviors can take several forms. One is the shift away from selectively enforced proscriptive policies that invite abuse where administrative capacity is weak.⁸ Another is by increasing transparency in decision-making and financial transactions. This can be promoted, for example, by open bidding and improvements in accounting standards. Other ways include increased accountability through the electoral process, promotion of watchdog groups, media reporting on fraud and corruption, and greater participation of stakeholders and beneficiaries in policy and program monitoring and evaluation (see Langseth and Simpkins, 1996). All of these measures can increase the capacity of the government to avoid capture by special interests, to formulate policies in the broad public interest, and to impose sanctions on transgressors. They create incentives for policy makers to aggregate divergent and/or competing demands for policy reform and act in the public interest. The result is sectoral policies that better serve the collective interest of society.

Stimulating and reinforcing desirable behaviors involves searching for ways to make public sector programs and employees more engaged with and committed to the citizens they serve. Generally, actions here represent the “flip side” of efforts to impose sanctions for negative behaviors. For example, many of the civil service reform and good governance efforts supported by the World Bank include measures to improve basic incentives (raise salaries from often abysmal levels), align incentives with performance, encourage political will and leadership for reform (e.g., integrity workshops), and inculcate new values and practices (e.g., codes of ethics and training) (see Langseth and Galt 1996).

These kinds of behavioral changes are important because in the experience of many local sectoral reforms, the direct involvement of public officials is a key component in getting citizen efforts organized and sustaining citizen participation (see Thomas, 1995). Government actors are called upon to conduct town or neighborhood meetings, explain policies and options, mediate conflicts, and work toward consensus. These actions are basic to government’s facilitator role within the context of improved governance, and often require substantial time and effort on the part of public officials. Evans (1996) provides examples of governments fulfilling this role from several sectors: irrigation, health, education, urban services, food security, and industry. Comparing these instances of the positive role of government/community interaction with other less successful ones, he argues that “if synergy fails to

occur, it is probably not because the relevant neighborhoods and communities were too fissiparous and mistrusting but because some other crucial ingredient was lacking. The most obvious candidate for the missing ingredient is a competent, engaging set of public institutions” (p. 1125).

B. EMPOWERING INDIVIDUALS, CIVIL SOCIETY AND THE PRIVATE SECTOR

In essence, empowering and participatory development can be thought of as a manifestation of good governance. It allows stakeholders and beneficiaries to become better informed and organized to express their demands and hold government and service providers accountable. On the government side, it assures technical input from service consumers, NGOs, and other collaborators; expands service delivery efficiency and effectiveness; and reinforces responsiveness and transparency.

1. Enlarging the role of civil society

The concept of improved governance does not merely include the actions of government, but extends beyond government to address the way groups and communities within a society organize to make and implement decisions on matters of general concern, both in concert with government and independently. Civil society represents the formal and informal groups of citizens that act collectively, in public, to express their interests and ideas, exchange information, achieve mutual goals, make demands on the state, and hold state officials accountable (Diamond, 1994). Improved governance implies a greater role for civil society in the policy process. As participants in policy and program formulation, civil society groups can increase the design quality of policies and programs by providing information input. As partners in service delivery networks they can increase program implementation efficiency and effectiveness. They can help assure government responsiveness and accountability by providing performance feedback and evaluation of results (see Coston, 1995).

Thus effective governance requires enhanced capacity in civil society among NGOs and other private sector actors; for example, capacity for advocacy, interest aggregation and demand-making, and/or service delivery. The effect of supporting developing country managers and stakeholders outside of the public sector is to promote meaningful competition and dialogue among groups, empower participation at and among multiple levels, and

thereby enhance democratic governance (see Hadenius and Ugglå, 1996). Building management capacity in the state alone (or only outside of government) is an incomplete strategy for promoting the competition and balance vital to the development of partnerships for policy implementation (Brinkerhoff, 1996a). The management of a number of activities may be shifted to organizations completely outside the framework of direct government administration, although government still has a role to play (see the section on partnerships below). Examples include such activities as non-formal education, community self-help, and locally managed credit cooperatives.

The concept of “social capital,” another form of capacity, has particular relevance to understanding the two-way linkage between improved governance and sectoral policy reform and program implementation. Putnam defines social capital as the “features of social organization, such as trust, norms, and networks, that can improve the efficiency of society by facilitating coordinated actions” (1993: 167). What Putnam terms “networks of civic engagement” (everything from choral societies to neighborhood associations, cooperatives, and mass-based political parties) are an essential form of social capital. “The denser such networks are in a community, the more likely it is that its citizens will be able to cooperate for mutual benefit” (p. 173). Social capital increases with use and will become depleted if not used. A society rich in social capital and associational life provides numerous channels for participation.

Social capital formation is closely linked to opportunities for participation, which are intrinsic to good governance and critical to the design and implementation of sectoral policies and programs. High levels of social capital have been found to be associated with cooperative social problem solving, effective and democratic government, and rapid economic development (e.g., Brown and Ashman, 1996).

2. Transferring functions to the private sector

Over the past decade, in a variety of sectors, the rationale for government intervention has undergone critical scrutiny and major changes have taken place in both rich and poor countries. Pervasive government involvement in finance, regulation, and delivery of many infrastructure services has often led to poor performance by weakening managers’ responsibility, imposing conflicting objectives, and

politicizing decisions on investment, pricing, labor, and technological choice. As Kessides (1993) notes,

The worldwide trend towards economic liberalization in many sectors has led to experimentation with various institutional arrangements. This experience has led to two important conclusions: that there are fewer activities requiring public intervention than once was believed; and that public intervention, when justified, can be exerted through less distorting policy instruments than those traditionally used (p. xiii).

This experimentation has generated new partnerships among the private sector and government. These partnerships offer significant gains for improved governance: more efficient and effective service delivery, better incentives, increased capacity for responsiveness to client demand, etc. There are many examples of the transfer of functions to the private sector, for example, in the sectors of water supply, sanitation, telecommunications, transportation, health, education, and so on (e.g., Rivera, 1996; Kerf and Smith, 1996; van der Gaag, 1995; cf. Osborne and Gaebler, 1992).

C. CREATING SYNERGY BETWEEN MARKET AND STATE, GOVERNMENT AND CIVIL SOCIETY

The marriage of a rationalized role for government and empowered people creates the conditions under which the complementarities of the market and the state are discovered or realigned. These combine to generate the synergies that are characteristic of improved democratic governance.

1. Establishing and implementing partnerships

In broad terms, state-civil society partnerships can be defined as interactions designed to achieve convergent objectives through the combined efforts of both sets of actors, but where the roles and responsibilities of each remain distinct. The objective of these partnerships is to produce more and/or better results than if the partners operated independently; in short, to create synergistic effort. To make this happen, it is important that objectives be clearly specified; that there are appropriate mechanisms for combining efforts and managing cooperation; that roles, responsibilities, and comparative advantages are clearly understood; and that each side has the capacity to carry out its part.

Improving governance requires strengthened policy formulation and public implementing agency capacity, and it needs to be accompanied by direct efforts to build and strengthen NGOs, associations, and local groups. This entails enhanced civil society capacity to participate and provide feedback to government on policy issues, as mentioned above. It may also include building capacity to serve in partnership with others in the provision of goods and services (see Brinkerhoff, 1996a).

Partnerships between the government and civil society make sense both from a technical viewpoint and a democratic governance perspective. Appropriately structured and managed, partnerships can produce better policy solutions and service delivery. In addition, state-civil society partnerships can promote more responsive, transparent, and accountable government. They can facilitate increased citizen participation in public affairs, empower local groups to take charge of their livelihoods, and develop capacity to advocate for policy reforms with public officials and political figures. They provide opportunities to define democratic forms of governance more operationally, and help move democratization away from the abstract and toward the concrete (see Evans, 1996).

These partnerships depend on improved governance in the sense that governments can either actively encourage or discourage their formation. Two cases mentioned below in the discussion of sectoral illustrations contrast the outcomes of different government behaviors (Ostrom, 1996). In Brazil, urban neighborhoods that had never undertaken collective action were empowered by the action of government officials to make decisions and contribute to sewer service expansion. In Nigeria, villages that had demonstrated their willingness and capacity to work on community projects were discouraged by government officials from active engagement in the education of village children.

2. Coproducing services

In sorting out the role of government, most attention has been focused on redefining the boundary between market and state. "Less attention has been paid, given the gulf perceived between public and private sphere, to the problem of relating citizen and official inputs" (Ostrom, 1996: 1075). That situation is changing as more innovative sectoral programs experiment with what is termed "coproduction." That is, the

process through which inputs used to produce a good or service are contributed by individuals who are not "in" the same organization. The "regular" producer of education, health, or infrastructure services is frequently a government agency... All public goods and services are potentially produced by the regular producer and by those who are frequently referred to as the client. The term "client" is a passive term. Clients are acted upon. Coproduction implies that citizens play an active role in producing public goods and services of consequence to them (Ostrom, 1996: 1073).

Coproduction highlights the empowerment dimension of citizen involvement in sectoral policy reform. Organized and mobilized communities of citizens linked to public agencies can constitute a powerful combination for reform. Voice, joined with partnership, helps to impel government toward greater openness, accountability, and responsiveness (Paul, 1991). There is some intriguing evidence that the dynamics of this linkage can create "virtuous circles," where service improvements encourage citizens to express their preferences and be more demanding, and in turn more demanding citizens lead to service improvements (Langseth et al., 1995, Ch. 4). For synergistic coproduction through partnerships to continue to benefit from virtuous circles, however, a facilitative institutional base for joint effort is required. Providing democratic governance with strong institutional "roots" helps to embed reform efforts in fertile soil for achieving results (see Evans, 1996).

III. THE INFLUENCE OF DEMOCRATIC GOVERNANCE ON SECTORAL REFORMS

The governance issues outlined above clearly have enormous potential and actual impacts on the kinds of sectoral reforms that are attempted, how these are implemented, who participates in them at various stages, and what outcomes are achieved. Experience and the literature indicate that there are two main ways that improved democratic governance can influence sectoral reforms. First, and most comprehensively, democratic governance can create a positive enabling environment for reforms. Second, it can increase the efficiency and effectiveness of reform outcomes and results.

A. CREATING A POSITIVE ENABLING ENVIRONMENT

The linkage between various aspects of governance and socioeconomic growth has been widely explored. Thinking has progressed significantly since the relatively crude, in retrospect, "Reaganite/Thatcherite" perspectives of the early 1980s, which held that the best enabling environment for growth contains the least government (the less-is-more argument). A growing body of research and experience has demonstrated that democratic governance, which does not necessarily imply a smaller state but a more effective one, provides the most promising enabling environment for broad-based economic growth (e.g., Haggard and Webb, 1994; Root, 1996; Rothchild, 1994; Knack and Keefer, 1995). The unifying thread running through much of the current analysis is a focus on institutional rules and rule-making, and their role in creating incentives that support democratic governance and socioeconomic growth (e.g., Clague, 1997; Walker, 1995). The World Bank's issuance of its 1997 *WDR*, mentioned above, represents the mainstreaming of this focus into the international assistance community (see Chhibber, 1997; Pradhan, 1997).

In terms of policy reform interventions, the experience of a variety of structural and sectoral adjustment policy reform programs over the past decade or so has contributed to the recognition of the impact of institutional and governance factors on implementation success (see, for example, Gordon, 1996; Jayarajah and Branson, 1995). As Frischtak confirms,

concern is shifting from the substance of policies...to the policy environment itself. Institution building and design; the nature and transparency of decision making procedures; interest representation and conflict resolution mechanisms; and limits of authority and leadership accountability...are frequently identified as governance issues and fill the expanding agenda of what can be called the political economy of structural adjustment (1994: 1).⁹

Similarly, these governance issues can influence the coherence of individual sectoral reforms. For example, Maclure (1994) points out regarding educational reform in Burkina Faso, that if governance arrangements exclude peasant farmers

from political power, then educational policies of decentralization and the promotion of wider participatory input may be compromised:

Policies of educational decentralization and greater local participation all too often disregard factors which may seem extraneous to the internal operations of education, but which nonetheless impinge on the interests of all those... [in] the formal school system.... [I]n effect, the obstacles to decentralization and participation-- which *per se* are valid tenets of reform-- are much the same as those which hinder the emergence of more democratic forms of governance (pp. 250-251).

Democratic governance creates a broad institutional framework that enables market-led economic growth to occur, for example, by creating a legal environment conducive to protection of property rights, enforcement of contracts, and predictability and stability of policies. Improved governance creates conditions that facilitate political liberalization as well; such things as openness of policy dialogue, a free press, respect for human rights and the rule of law. All of these contribute to the foundation on which sectoral reforms are built, and increase the likelihood of virtuous circles of improved, demand-driven performance and empowered citizens, and responsive and committed leadership (see Frischtak and Atiyas, 1996). At the operational level, democratic governance creates the institutional space for the mechanisms and incentive structures that enable sectoral reforms to be implemented (see L. Fox, 1996; Blair, 1996). These influences have been explored, for example, in infrastructure (irrigation and roads) policies (see Ostrom et al., 1993; Mody, 1996), and forestry and natural resources policies (see Didia, 1997; Brinkerhoff with Honadle, 1996; Thomson, 1997).

B. INCREASING THE EFFICIENCY AND EFFECTIVENESS OF SECTORAL REFORMS

Improved democratic governance can increase the efficiency and effectiveness of sectoral reforms in five ways. First, the synergy arising from partnership and coproduction arrangements can mobilize underutilized resources (money, labor, management capacity, or information, for example) from civil society and the private sector. These resources, combined with government inputs, result in more efficient service provision than could have been

attained with the various actors intervening independently. These arrangements may also free public resources previously going toward the direct government provision of private goods to target critical collective goods that are undersupplied. Empowered citizens groups' capacity to improve service delivery by entering into new relationships with government service providers has been well documented in a variety of development sectors. Irrigation systems management is a good example (Lam, 1996; Korten and Siy, 1988). Reviewing the experience base, Korten concludes that:

Where such decentralized, self-organizing approaches to the management of development resources are seriously undertaken, they generally result in more efficient and productive resource management, a reduction in dependence on external resources, increased equity, increased local initiative and accountability, and a strengthening of economic discipline (1987: 146).

Second, democratic governance creates new incentives that can induce efficiency and increase effectiveness. For example, decentralization can build a range of such incentives: increased competition among levels of government, increased local control over resources, increased decision-making authority, increased targeting of services to local needs and desires (IPC, 1996). At various levels, greater participation of actors outside government also increases efficiency and effectiveness. Monitoring and feedback on sectoral reform implementation (e.g. service delivery surveys) help to assure that policies and programs serve intended purposes. Further, the increased transparency and accountability that result from civil society oversight enhance efficiency by decreasing the potential for diversion of resources due to patronage or corruption (see Adamolekun, 1997). Democratic governance gives stakeholders new incentives and opportunities to keep an eye on service providers (inside and outside of government), who should become more responsive as a result.

Third, the rationalized role of the state that characterizes improved governance leads to the selection and design of more efficient and effective sectoral policies. Both efficiency and effectiveness increase to the extent that the policies incorporate an appropriate place for the private sector and civil society, and build in partnerships, decentralization, positive incentives, and policy targets that align compliance with the principles of democratic self-

governance and economic self-interest. The problem with many control-oriented, proscriptive policies is that they are woefully inefficient and ineffective, often leading to wasted resources and perverse outcomes.

Fourth, besides the choice of policy targets in the first place, improved governance engenders better technical quality through increased participation. Involvement of well-trained technocrats and informed stakeholders provides a stronger basis for fleshing out policy details, sequencing reforms, and adapting reform prescriptions to local reality. Efficiency and effectiveness of sectoral reform are enhanced by gathering and disseminating more accurate information regarding the needs, available resources, and alternative approaches than would otherwise be the case. Increased participation and an enhanced role for civil society groups provide information on the needs of the population and on alternatives to address them that the government otherwise would not have (Coston, 1995; World Bank, 1996b). A caveat is that much of this information will reflect the groups' self-interests, and relatively stronger groups are likely to have the louder voices. Still, the information base for sectoral policy reform will likely be broader and better than with government acting alone, and measures can be taken to assure that relatively disadvantaged and/or marginalized groups' perspectives are taken into account. A number of countries, for example, are setting up service delivery satisfaction surveys as a means of generating citizen feedback (see Langan and Simpkins, 1996).

Beyond simply generating information useful for various technical purposes, citizen/consumer participation and active involvement of civil society groups contributes to efficiency and effectiveness by helping to achieve a consensus regarding the elements of a policy reform program. Both are positively influenced not just by having the appropriate information on what needs to be done, but also by building agreement and commitment among stakeholders about the right direction to move in and the steps to take. Constituency- and consensus-building is one of the key tasks of policy implementation (Crosby, 1996). For example in Mali, the World Bank's Education Sector Investment Program, with assistance from the Economic Development Institute, created a forum for policy dialogue-- a governance mechanism-- that produced consensus on reform priorities between the government and the teachers' union (Coston, 1997b).

Fifth, improved democratic governance increases the management quality of policies and programs. Capable and committed civil servants, functioning within strong agencies, and interacting with empowered and skilled civil society groups, are in a strong position to manage implementation of sectoral strategies, and to make the necessary adjustments over time to maximize impact. The virtuous circles, mentioned earlier, are much more likely to emerge and contribute to desired policy outcomes and impacts under the conditions of democratic governance outlined in Section II. Democratic governance facilitates these mutually reinforcing dynamics: "Creative action by government organizations can foster social capital; linking mobilized citizens to public agencies can enhance the efficacy of government..." (Evans, 1996: 1130).

The large literature on state institutional capacity attests to the fundamental influence that improved governance has on the efficiency and effectiveness of policy outcomes in many sectors.¹⁰ A key feature of capacity-building approaches is the focus on the demand side of sector reforms, which highlights the role of civil society in eliciting capacity through voice and accountability mechanisms (see Brinkerhoff, 1996b; Clark, 1995; Coston, 1995). This does not mean that the supply side is not important. As the section above on the elements of improved governance notes, rationalizing the role of government means building a stronger state, not necessarily shrinking it. Democratic governance calls for significant increases in institutional capacity.

IV. THE POTENTIAL FOR SECTORAL REFORMS TO CONTRIBUTE TO IMPROVED GOVERNANCE

This section examines the governance and sectoral policy linkage in the opposite direction. Sectoral programs and policy reform can contribute to democratic governance by creating opportunities for participation, accountability, and transparency that advance the larger transformation process toward more democratic governance. This is not an inevitable outcome, and there are often serious constraints to capitalizing on these potential linkages. A suitable timeframe will be needed to track milestones in a process that is hard to isolate empirically. Experience suggests, however, that sectoral policy changes can generate changes in a country's governance arrangements for four interrelated reasons. First, sectoral policies and

programs generate social capital. Second they provide citizens with concrete experience with the processes and mechanisms of democratic governance that can have positive spillover effects. Third, sectoral policies and programs establish structures and frameworks that can serve as building blocks for democratic governance in other sectors. Fourth, they offer leverage points that springboard larger changes in the direction of more democratic governance.

A. GENERATING SOCIAL CAPITAL

As pointed out above, social capital that arises out of improved governance will benefit sectoral programs and policy reforms. However, numerous sectoral programs, particularly those that employ partnership arrangements with NGOs and other civil society groups, seek to reinforce and/or create social capital as part of their implementation strategies. Thus, sector-specific experience can create additional social capital that can be used in the future, thereby contributing to improved democratic governance. Brown and Ashman's examination of 13 cases of intersectoral cooperation among public agencies, nongovernmental organizations, and international donors finds that,

social capital is both an important base for cooperation across sector and power differences and an important product of such cooperation... Existing stocks of social capital support intersectoral cooperation and mutual influence; intersectoral cooperation and mutual influence expand those stocks for the future (1996: 1477).

Evans (1996: 1122) also stresses the importance for building social capital of linking government and citizens:

Social capital is formed by making some who are part of the state apparatus more thoroughly part of the communities in which they work. The networks of trust and collaboration that are created span the public/private boundary and bind state and civil society together.

The impact of participation in sectoral programs on individuals as members of their communities also builds social capital, which can have important multiplier effects. Endorsing the continued relevance of de Toqueville's observation, Mansbridge (1995: 1) echoes the widely held belief that,

Participation does make better citizens. I believe it, but cannot prove it and neither can anyone else. The kinds of subtle changes in character that come about slowly, from active, powerful participation in democratic decisions cannot easily be measured with the blunt instruments of social science. Those who have actively participated in democratic governance, however, often feel that the experience has changed them. And those who observe the active participation of others often believe that they see its long run effects.

Sectoral policy reforms and program implementation are often the most accessible avenue for the process to take place. Building social capital is a slow process that requires local work on specific issues. "The strength of community participation is the painstaking development of community and individual involvement, the initiation--necessarily at close quarters--of a process with its own momentum" (Axelbank, 1986: 1). Over time, the process can weave an increasingly dense fabric of social cohesion, cooperation, and energy that represents an important pool of societal resources for the promotion of democratic governance (see Hirschman, 1984; J. Fox, 1996).

B. BUILDING EXPERIENCE WITH GOVERNANCE MECHANISMS AND PROCESSES

Social capital most effectively reinforces democratic governance when people have the opportunity to gain hands-on practical experience with governance processes. Sectoral policies and programs offer "learning laboratories" that provide such opportunities; for example, learning behaviors useful for interacting with government officials (and vice versa), and learning new norms of consultation, cooperation, and collaboration.¹¹ In the case of decentralization, for example, local governments and citizens may lack the necessary skills, processes, and mechanisms to design and manage participatory, democratic governance arrangements. Successful experiences with non-threatening and cooperative problem-solving related to a sectoral program can provide processes and mechanisms, build skills and confidence, offer concrete examples for others, and encourage national policy makers to provide policy support. Horizontal linkages across sector-specific community organizations involved in program implementation with government agencies can reinforce the spread of local democratic governance

more broadly. Similar positive influences can occur between levels as well in that accountability of government structures and officials to local organizations (such as village committees set up to deal with specific sectoral issues) may contribute to pressures for increased accountability and responsiveness at higher levels.

The basic dynamic here is that the experience gained by civil society, the private sector, and public officials generates positive spillover effects. Successful experience can provide the basis for the application of democratic governance to other areas. For example, focusing on the benefits for citizens, Ostrom (1996: 1083) reports that,

The experience of success in coproduction also encourages citizens to develop other horizontal relationships and social capital. Those working with condominium systems [of an urban sewerage system] report that local activism through coproduction rapidly spills over to other areas. Alert citizens are able to increase the quality of services they obtain from multiple government agencies and not just the initial project.

Similarly, although the rhetoric of stakeholder participation and collaboration may be well known, until it is experienced firsthand, it may remain a vague concept or slogan. Citing the case of livestock marketing reform in West Africa (Kulibaba, 1995), Goldsmith remarks that,

for many developing country managers, a "light turns on" when they realize how important it is to work with and influence stakeholder groups....Without this...planners would likely have fallen back on conventional modes of decision making and excluded private sector groups from participation (1996: 1436).

In addition to the reinforcement of positive moves in the direction of more democratic governance, cumulative sectoral experience can also act as a brake on government tendencies to revert to autocratic and closed-circle decision-making. Once the forces of improved governance are set in motion through sectoral programs, the broadened demand for transparency and accountability makes it more difficult to revert to former behaviors. For example, experience with strengthening civil society organizations in less-than-democratic settings illustrates the tenacity of local groups, supported by

allies, in carving out political space (J. Fox, 1996; L. Fox, 1996).

C. CREATING STRUCTURES AND MECHANISMS FOR DEMOCRATIC GOVERNANCE

If increased social capital and practical experience gained through sectoral policy reforms can be thought of as the mortar that binds productive socio-political relations, then the participatory structures and mechanisms that sectoral programs create represent the building blocks of improved governance. Sectoral programs often set up structures and mechanisms that promote participation, empower citizens, realign responsibilities, and introduce new interaction patterns. It is within these structures and mechanisms that people gain the experience with democratic governance discussed above. Examples include local health committees, parent-teacher associations, natural resources community co-management councils, policy dialogue fora, contracting-out with NGOs or private enterprises for service delivery, decentralization arrangements, and so on.

Similarly, sectoral policies and programs sometimes develop legal and regulatory frameworks that can favorably influence democratic governance. Important instances here are legal and regulatory reforms in resource tenure and property rights. In West Africa, for example, reform of the forestry code opened the door to decentralized resource co-management and recognition of local rights to manage forest resources, as opposed to the old system that allocated all rights to the state (see Brinkerhoff, 1995).

Another category of legal reforms, often initiated in a sectoral context but which have enabling effects on democratic governance, is changes in laws relating to the formation and operation of NGOs, civil society organizations, and the private sector. An interesting example, again from the environment sector, comes from Madagascar. A USAID program, undertaken in the context of the National Environmental Action Plan, supported assistance to draft and enact enabling legislation for the creation of foundations. This law was passed in 1995 and then led to the creation of the Malagasy Environment Foundation, Tany Meva. Beyond the environment sector, however, the passage of this law opens the door for new ways of funding a range of civil society activities in other sectors. Another example comes from Eastern Europe where reforms in the legal framework for market

liberalization are critical to enabling private investment, public-private partnerships, and government facilitation of the private sector that are hallmarks of democratic governance (see Clague and Rausser, 1992).¹²

D. OFFERING LEVERAGE POINTS FOR DEMOCRATIC GOVERNANCE

The fourth way in which sectoral policy reform can contribute to more generalized improved governance is through leverage. Leverage points can be thought of as openings that may be exploited in an otherwise unfriendly context. They are the small changes that can ultimately produce lasting change in complex systems. VanSant (1996), for example, cites incentives for democratic decentralization as leverage points to change systems of governance (see also IPC, 1996). Each sector has its own particular ways of creating these leverage points and opportunities for contributing to broad-based democratic governance. For example, environment and natural resource (ENR) policies that promote state-civil society partnerships in managing resources provide avenues to address larger governance issues:

ENR policy dialogue and joint donor-country planning offer an opening to introduce indirectly governance considerations that may meet with resistance (overt or covert) if confronted head on....Approaches (that) stress government-civil society partnerships, delegation of authority to the local level, and responsiveness of government to external stakeholders also create opportunities to reinforce ongoing democratization and/or governance reform programs. The features of the partnership that make ENR co-management work are closely associated with the characteristics of democratic governance (Brinkerhoff with Honadle, 1996: 30).

ENR policy reforms also exemplify another way that sectoral policies can generate leverage for democratic governance, which is by providing venues for experimenting with new incentives that can then be applied more broadly. By demonstrating the feasibility of community co-management, ENR policies have created a wedge for the empowerment of local groups and provided added impetus to making local governments collaborative partners with citizens rather than hierarchical overseers. These dynamics operate in other sectors as well, for

example, in the area of health services (e.g., Tendler and Freedheim, 1994).

Finally, sectoral reforms offer leverage points for democratic governance in that, through offering experiences for citizens to participate in service delivery and interact with government in new ways, they increase the opportunities for citizens to develop new expectations of government. These expectations, then, can fuel an expansion of the virtuous circles referred to above, and-- further-- can contribute to limiting state tendencies to backslide on governance reforms and democratization.

V. ILLUSTRATIONS OF GOVERNANCE AND SECTORAL REFORM LINKAGES

This section presents an assortment of sectoral examples of the linkages between democratic governance and sectoral policy reforms and programs. The examples serve both to make more concrete the arguments elaborated in the previous sections, and to illustrate the intricacies of the linkages. It should be recognized that these examples have been selected to emphasize the synergistic and positive linkages between democratic governance and sectoral policy reforms and programs. This choice, obviously, precludes detailed attention to cases where the linkages have not led to desirable democratic outcomes. The intent is not to idealize or to assert that the evidence is overwhelmingly favorable, but to provide a sense of what positive benefits may be derived from considering the linkages.

A. THE INFLUENCE OF DEMOCRATIC GOVERNANCE ON SECTORAL REFORMS

Across the board, the prospects for effective sectoral policy reform are influenced by governance quality and capacity. Democratic governance structures and procedures provide the means by which the state incorporates citizens' needs, desires, and preferences into setting and implementing sectoral policies. From establishing the initial conditions to enable citizen involvement, to promoting greater efficiency and effectiveness, democratic governance is the hallmark of the capable state, regardless of the sector.

1. Creating a positive enabling environment

Basic elements of a country's system of governance set the boundaries of sectoral policy reforms by determining the role of government, rule of law, openness to citizen participation, freedom of assembly and of the press, capability of public sector agencies, etc. These affect policy reforms across all sectors, as the examples below illustrate. Along with shifting governance towards increased democratization, these factors create a better enabling environment for sectoral policies.

❖ Environment and natural resources management

ENR policy reforms involve fundamental changes in access to, and control over, resources and their benefits. Thus, ENR policies are often surrounded by conflict, political wrangling, and sometimes confrontation. Democratic governance-- by providing accountability and recourse through the courts, freedom of assembly and expression, legal recognition of community rights and autonomy, and ready availability of information-- is essential to enabling policy reform and implementation.¹³ In many countries, the more confrontational approaches to ENR advocacy and policy compliance (to improve institutional performance), such as litigation, demonstrations, or public criticism of government, are not legal or are life threatening. In Kenya, leaders of the Greenbelt Movement have been beaten and jailed. Most environmental court cases in the Kenyan system are thrown out because of technicalities (no *locus standi*), not because of merit. This negative example stands in contrast to Tanzania, where a group of farmers organized a legal challenge to the constitutionality of Land Act 22, which eliminated customary tenure on village land. They won the case and the law was repealed. Another positive example is Mali, where the new democratic government has accorded increased legal recognition to traditional moot courts to settle resource disputes locally and to village organizations to exercise management authority over communal forests (see L. Fox, 1996).

❖ Health

In India, negative practices such as domestic violence and discrimination against women are being combated through new legislation, increased enforcement of existing laws, information dissemination, and education campaigns. These

changes have served to establish the broader conditions for increasing the health status of women, particularly the rural and poor segment of the female population that is the most disadvantaged and marginalized (World Bank, 1996b). The Indian government is in the process of taking steps to increase the equitable distribution of health services for women and to reinforce the effectiveness of the Ministry of Health and Family Welfare's programs.

❖ Private enterprise

Policy reforms to encourage private enterprise growth are heavily dependent on governance issues, both for what governments do (over-regulation) and for what they often do not provide (an appropriate institutional framework). Heavy regulatory environments strangle private sector activity and force businesspeople into the informal sector, where they have no access to formal capital markets or the legal system for enforcement of contracts. The importance of eliminating excessive regulation and controls on business, and of creating a more facilitative, pro-business climate has been well documented around the world, for example in Latin America (DeSoto, 1989) in Africa (Moore and Hamalai, 1993; Grosh and Somolekae, 1996), and in Asia (Root, 1996).

❖ Infrastructure

In the infrastructure sectors (water, power, transport, roads, telecommunications, etc.), governance reforms have been critical to putting in place the features of an operating environment that facilitates broad-based and equitable provision of infrastructure. Rivera (1996), looking at six water supply cases in South and Latin America, Africa, and Eastern Europe, notes the importance of establishing clear regulatory frameworks, implementing adequate tariff and subsidy regimes, and promoting privatization and commercialization. The Chilean government, for example, has developed a water subsidy system that sets aside a budgeted amount to provide access to water for poor families while at the same time assuring the efficient operation of the water delivery corporation. The arrangement has assured both the financial and political viability of the tariff system. Decentralization is another key governance enabling factor related to infrastructure. In the Chilean example, municipalities determine which families are eligible for the subsidy and the central government transfers the funds to the local level, where the municipalities use the funds to pay the water utility directly (Rivera, 1996: 37). Decentralizing responsibility for designing, constructing, and

maintaining infrastructure to state and local governments--along with the corresponding revenue sources--has been widely advocated to improve road maintenance, for example, and applies to other infrastructure areas as well (see Ostrom et al., 1993).

❖ Irrigation

In Nepal, the government's legal recognition of farmer groups was critical to the success of irrigation sector reform by laying the groundwork for government-farmer cooperation. Nepalese farmers needed incentives in order to make it worthwhile for them to organize. Accompanying the legal recognition of user groups was a redefinition of the state's role in service provision, which led to a new division of government and user responsibility, as well as a recrafting of the regulations governing water use to accommodate farmers' needs as opposed to simply the needs of the government agency (Lam, 1996). Equally important was the quality of interaction between government and farmers. Accountability, transparency, and responsiveness have proven to be as important as the rearrangement of responsibilities. "Farmers and local officials are engaged in a shared project aimed at making sure that enough water reaches their area at the right time. There is a division of labor but it is among a set of tightly connected individuals who work closely together to achieve a common set of goals" (Evans, 1996: 1121). The "embeddedness" of the irrigation program within the community has been a critical enabling factor.

2. Increasing the efficiency and effectiveness of sectoral reforms

The links to increased sectoral reform efficiency and effectiveness relate to the ways that democratic governance mobilizes underutilized resources, builds accountability mechanisms and responsiveness, creates appropriate incentives, and increases participation. The links to effectiveness emerge most clearly in the qualitative dimensions of sectoral policies. Governance arrangements have an impact on policy selection and design by encouraging governments to be open to a wide array of citizen input. They affect implementation by creating structures, mechanisms, and processes to share information and achieve consensus on appropriate steps and sequencing. And they influence the quality of policy management through shaping incentives for transparency and accountability. The following vignettes offer examples.

❖ Environment and natural resources management

Many countries have traditionally relied upon top-down regulatory and administrative policy strategies for ENR. The legal/administrative framework for forestry policy in the francophone nations of the Sahel in Africa assigned all authority for forest resources to the state, despite their lack of ability to exercise that authority. Recent changes in the forestry codes in these countries have both redefined the role of the state agencies with responsibility for forests and established the possibility for a community role in ENR. These kinds of changes have enabled the expansion of decentralized and participatory co-management arrangements, and afforded community groups with legal recognition and authority. Government forestry departments have been reoriented as facilitators of sustainable resource use rather than controllers of those resources, and communities have been empowered to enter into contracts with forestry departments to manage local forests (see Brinkerhoff with Honadle, 1996). Another illustration of the changing role of government in ENR is the establishment of coordinating bodies whose functions include soliciting and incorporating input from local communities, NGOs, and the private sector into the policy process. These include formalized organizational entities, such as for example: Chile's National Commission for the Environment (CONOMA), the National Environmental Fund in Bolivia (FONAMA), and Madagascar's National Office of the Environment (ONE). Such bodies can also take the form of temporary fora intended to channel participation into the ENR policy process for a limited time period or on a one-shot basis, for example, Mali's "Journées de réflexion" and "Tables rondes" on the forestry code and land tenure law. These structures and processes have provided information, ideas, and perspectives that have enriched national policy debates. In addition they have established norms and expectations regarding participation, transparency, and accountability that have been operationalized in ENR programs and projects (see Brinkerhoff, 1995; Zazueta, 1995).

❖ Health

Health sector reform alternatives depend upon governance arrangements that move away from "free care" systems run by centralized ministries of health and toward such mechanisms as user fees, intergovernmental transfers, grants, and privatization to reduce the strain on government budgets as well as improve the availability and quality of care (see

Leighton, 1996). Decentralization often figures prominently in health sector reform, which calls for modification in power-sharing between central and local public-sector healthcare agencies and between public and private entities. Local-level, decentralized performance monitoring can be key to improving efficiency. In some subdistricts of Bangladesh, for example, community members along with service providers, monitor family planning program activities on a routine basis. As a result, program performance has increased significantly (Kolehmainen-Aitken and Newbrander, 1997).¹⁴ Another example is Uganda's government-wide decentralization, which has allocated significant responsibility and resources to local authorities to manage sectoral activities, including health (Kisubi, 1996). District councils are now in charge of primary health care (PHC), and district hospitals, though officially attached to the central Ministry of Health (MOH), are "delegated" to local government. Although much of the health budget is donor-financed, changes in resource allocations of the recurrent budget have given more authority to district councils; and via their district health committees, councils are more involved in spending decisions regarding PHC facility user fees and local tax revenues. With clearer financial flows and stronger local auditing, accountability has increased. Another major change has been the reassignment of PHC staff from the MOH to the district. With the shift in employment status and disciplinary powers, PHC staff see themselves as answerable to local government rather than the MOH. Analysis to date suggests that hospitals have become more effective as a result of decentralization, with some improvement in PHC facilities, although characterized by more variation across districts. Uganda's experience with decentralization is still relatively recent, and further impacts of the change in governance structures on the health sector are yet to be determined (WHO, 1997).

❖ Education

Nigeria provides an example of the negative impact of authoritarian governance on the effectiveness of education sector policy. Beginning in the 1970s, the Nigerian military government centralized education policy at the national level, but with declines in oil revenues, the government's ability to fund and manage the system deteriorated. The centralized education system was plagued by frequent policy flip-flops to change textbooks, to collect or not collect fees, to assign and withdraw state-level responsibility, etc. Teachers had very little input into such decisions and villages even less. All these policy switches were made via top-down

proclamations by the national government acting alone, or in limited consultation with state governments. As a consequence, education suffered, schools languished, and community support declined, whereas in the past local participation had been strong (Ostrom, 1996). A similar dynamic is taking place in Benin, where educational reform had broad public support at the start, but “lack of transparency and participation in the planning and early implementation periods has alienated and embittered some early supporters” (Grimm, 1995: 7). Without more fundamental governance changes in participation and more radical reform in education, seemingly positive sectoral reforms may be delayed or fail. A positive example comes from Mali, where the country’s moves toward democratic governance have given community schools more flexibility to respond to local needs.

❖ Infrastructure

In the infrastructure sectors, the public institutional reforms associated with democratic governance allow for various combinations of public ownership and operation, private ownership and/or operation, and community and user provision. Options include: service contracts, in which certain operations are contracted to the private sector, with performance criteria, competitive bidding, and appropriate monitoring and evaluation; management contracts and leases, in which the private sector takes over certain services with or without accepting full commercial risks; and concessions, including build-operate-transfer (BOT) arrangements in which the private sector takes on a greater transition role (see Kessides, 1993; Mody, 1996). These arrangements alter the role and responsibility of government and significantly increase the efficiency and effectiveness of service provision in comparison to parastatal monopolies. For example, demonopolization of telecommunications in Ghana led to dramatic increases in efficiency and effectiveness due to the introduction of cellular telephone service and competition among providers; call completion rates went up, costs dropped, and service coverage expanded (Kerf and Smith, 1996).

❖ Irrigation

A dominant theme in reforming irrigation policy has been to transfer responsibility to farmers through water user associations. Participation in system design and management helps ensure the sustainability of the system, reduce the public expenditure burden, and improve the efficiency of the service, and the effectiveness of water utilization (see

Korten and Siy, 1988; Thompson, 1995; Uphoff, 1992). Transferring management to farmer groups has often radically improved cost recovery and financial self-sufficiency. Frequently, the transfer takes place in stages, beginning with the transfer of operations and maintenance of secondary canals and drains to water user associations. Some farmer-managed systems then go on to take responsibility for the management of the main irrigation and drainage canals, hiring of operations managers and technical staff and equipment.

❖ Private enterprise

Following the April 1997 elections in Bulgaria brought about by nation-wide anti-government protests, the newly elected prime minister announced a strong commitment to economic reform, privatization, and openness. Among the changes are various anti-corruption measures, the creation of a small/medium enterprise agency to serve as a conduit for including the views of the business sector in policy formulation, and expanded public dissemination of information about economic policies and programs from the Cabinet of Ministers’ Public Information Working Group. Efforts on the part of Bulgarian small business associations to engage in policy dialogue for more effective business policies and legislation are likely to be enhanced by these recent moves in the direction of increased democratic governance.

❖ Agriculture

In the agriculture sector, increased democratization, coupled with a redefinition of public sector roles, have led government agricultural research and extension agencies to be more open to partnerships with NGOs, rural farmers, and the private sector. This trend has meant that, where farmers’ organizations, producers’ associations, and NGOs have been empowered to exert pressure on research organizations and hold them accountable, agricultural research and technologies have been more responsive to their needs, and thus more efficient and effective. These changes are especially strong in Latin America. In Africa, they have been somewhat less purposeful, driven in part by funding crises and erosion of public sector budgets; whereas in Asia, agricultural research systems remain more centralized (Farrington et al., 1993). Bebbington (1996) carries the democratization linkage further; based on experiences in Ecuador and Bolivia, he argues that the political empowerment of “campesino” federations within a new environment of institutional pluralism is key to making agricultural research and

technology systems respond effectively (see also Ashby and Sperling, 1995).

B. THE CONTRIBUTION OF SECTORAL REFORMS TO IMPROVED DEMOCRATIC GOVERNANCE

For most citizens, concrete experience with governance occurs through the process of obtaining services from public agencies, participating in local associations, interacting with NGOs, and so on. These possibilities often arise through programs of sectoral reform. Beyond contributing to sectoral objectives of increased services availability, efficiency, and/or effectiveness, however, these reforms offer opportunities to improve democratic governance.

1. Generating social capital

The learning and experience that people derive from involvement in a sectoral program help to make that program successful. As a function of their involvement, though, they gain something additional. Those lessons and expertise can be used subsequently in other situations and can cumulate over time, contributing to a fund of social capital.

❖ Environment and natural resources management

The experience of community groups and NGOs in resources co-management and in contributing to ENR policy dialogue has in numerous countries led to an increase in civic activism, and to a new willingness to interact with the state in different and more assertive ways. In Mali, for example, village groups that have managed community forests and woodlots feel more empowered to hold local officials accountable, and are able to use their experience with resolving disputes over resource issues for other kinds of conflict resolution (Thomson, 1997). Another dynamic taking place in some countries is that as local groups and NGOs acquire ENR experience, governments are turning to them for a larger role, taking advantage of their increased expertise and social capital. In Burkina Faso, for example, as government downsizes it has turned to NATURAMA, a local NGO with ENR experience, to manage several protected areas. An example of the spread effect of social capital generated by participation in ENR to other areas comes from Costa Rica. The Guanacaste Association for Forestry Development has worked with local farmers on forestry management for the past decade through

local affiliate associations, emphasizing participation and capacity-building. This participatory experience has strengthened local farm families' economic solidarity and empowered them to resist pressures to sell their property to large foreign or national agroindustrial firms, thus helping to keep local communities intact and economically viable (Thomas, 1994).

❖ Private enterprise

The creation of social capital in the form of networks of entrepreneurs can promote sharing of skills and information among members as well as trust- and confidence-building. The World Bank's Women's Enterprise Management Training Outreach Program (WENTOP) sought to build this critical mass among poor women in India through the intermediary of a local Indian NGO (Viswanath, 1995). WENTOP's experience demonstrates both the importance and the difficulties of capacity-building and empowerment of marginalized groups in poverty-reduction efforts. Such groups have so little existing social capital that initial assistance must focus on a sensitive process of establishing trust and confidence. Such efforts can have payoffs for increased equity and inclusion of disadvantaged and marginalized groups, thus contributing to the economic goals of democratization. WENTOP's final evaluation found that the women who received training benefitted economically, but more importantly they gained decision-making and empowerment skills that led them to form informal organizations to apply the enterprise training (Neill et al., 1996). These organizations, by enabling sustained group activity, have helped the women to improve their incomes, status, mobility, and autonomy beyond what they could have achieved as unorganized individuals-- this is the essence of social capital.

❖ Irrigation

The Gal Oya Program in Sri Lanka illustrates how a participatory irrigation scheme that mobilized farmers to self-manage water led not simply to more effective water management, but also to the creation of social solidarity and an increase in the stock of social capital available for solving other problems. Among the outcomes of Gal Oya was increased equity of water distribution. The cooperative dynamic developed through participation in irrigation associations led farmers located at the head of the irrigation system to voluntarily assure that tail-enders received fair allotments of water. More dramatically, the participatory experience with Gal Oya succeeded in bridging the ethnic conflict between the Sinhalese

and Tamils, illustrated by Sinhalese farmers banding together to protect the homes and property of minority Tamil farmers in Gal Oya during periods of violence (Uphoff, 1992).¹⁵

2. Building experience with democratic governance mechanisms and processes

Sectoral programs provide the venues for people to invest their social capital in practical experiences with democratic governance mechanisms and processes, and for government actors to learn and practice new behaviors. They can multiply positive impacts, spreading across sectors to other realms of socioeconomic endeavor, and deepening within sectors to strengthen capacity and increase outcomes.

❖ Environment and natural resources management

In Uganda the Secretariat of the National Environmental Action Plan (NEAP) played a strong role in operationalizing decentralization, including providing technical assistance to strengthen local governments' capacity in local environmental planning, policy-making, financial and revenue issues, and information systems (Dorm-Adzobu, 1995; Veit, 1993). By working with the Ministry of Local Government and selected local jurisdictions, the NEAP Secretariat provided an opportunity to experiment with, and learn from, mechanisms, processes, and tools that promote decentralized governance. This experience has assisted the Ministry of Local Government in interpreting and implementing Uganda's legislative mandate for decentralization throughout the country (see also Kisubi, 1996).

❖ Health

A community health program in the state of Ceará in Northeast Brazil radically changed the relationship between government health care providers and the population (Tendler and Freedheim, 1994). A team in the state health department designed and managed the program, which decentralized primary health care to municipalities via a new cadre of community health workers. After only a few years in operation, the program had contributed to a 36 percent reduction in infant deaths, tripled vaccination coverage for measles and raised polio coverage from 30 to 90 percent. The reasons for this success stemmed from management practices that reinforced accountability to clients, commitment to service

delivery and performance, and transparency. These outcomes emerged as a result of three features of the program. First, the state health department did not decentralize all responsibility to the municipalities, but maintained tight control over the hiring and payment of the large municipally-based labor force of health agents, who worked under the direction of nurse-supervisors hired by the municipality. This led to increased objectivity in hiring, a more professional esprit de corps, and local accountability for performance. Second, the department created a sense of prestige and mission around these jobs through a rigorous process of selection and training, along with media publicity and prizes for performance. Third, the program established community monitoring of the workers and encouraged client-worker interchange regarding health problems, needs, etc. As a result, over time the health workers voluntarily took on more tasks in response to what they perceived as their clients' needs, clients came to trust the workers and their commitment, leading to further increases in program performance and the "embedding" of the health workers in their communities.

❖ Education

In the Dominican Republic, a coalition of civil society groups came together with government to reach consensus on a broad educational reform agenda that resulted in the Ten-Year Education Plan, subsequently ratified by the National Congress (Zaiter, 1997). Under the leadership of several Dominican NGOs, a critical mass of business associations concerned about the quality of the labor force, community groups interested in access to education and jobs, philanthropic social welfare organizations, the teachers' association, parents' groups, universities, and education ministry officials came together in a variety of working groups, task forces, and public fora. These various participants jointly assessed the problems in the sector, gradually forged a vision, and built consensus for educational reform. The process was supported by several donors, including USAID. The culmination of the process was the National Education Conference held in the capital at the end of 1992, from which the major points of the Ten-Year Plan emerged. The plan had six target areas: ensuring equal access to education, improving the curriculum, improving efficiency of the educational system, improving the status and work conditions of teachers, encouraging community participation, and augmenting resources available for education. Implementation faltered beginning in 1994, due in large part to the gradual assumption of central control of reform leadership by

the education ministry and the consequent marginalization of the civil society groups that had played a strong role in the reform design process. However, after the Dominican elections in 1996, momentum for reform implementation has been regained. It appears that "... the imprint left on society by the consensus-building movement; increased parent participation in running schools; and better training for many Dominican teachers and administrators is a kind of capital that can help significantly in recovering the ground that has been lost" (Zaiter, 1997: 41).

❖ Infrastructure

Infrastructure reforms can provide opportunities to involve local communities in coproduction arrangements that embody principles of democratic governance. A case in point is the construction of an urban sewer system in Recife, Brazil (Ostrom, 1996). Bureaucratic centralization had excluded municipalities from decision-making; excessively high engineering standards placed water and sewer services beyond the reach of poor neighborhoods; and citizens were helpless to do anything about the squalid conditions, even though they possessed skills and time that could be used to address the problems. Using the creative energies of both the community and local government officials, residents mobilized for the local construction of low-cost feeder sewer lines that linked to trunk lines built by the city. The mobilization process involved a series of structured neighborhood meetings to introduce the new system, detail community responsibilities for construction and maintenance, discuss costs, and reach consensus. Construction was initiated only when neighborhood residents signed a petition requesting to participate and committing to pay agreed-upon fees. The successful installation of these systems has dramatically increased the availability of essential urban services to the poorest neighborhoods of Recife at a reasonable cost, and the approach has spread to other Brazilian cities. In addition, the experience has empowered community groups of the urban poor to build new kinds of relationships with municipal officials, organize themselves and mobilize their own resources, and act effectively in their own collective interest. These are all key features of functioning successfully within a democratic governance context.

3. Creating structures and mechanisms for democratic governance

The kinds of organizing structures, mechanisms, and processes that are used to implement sectoral programs can serve as models for other interventions.

These can facilitate the spread and impact of democratic governance gradually, in some cases far beyond their initial introduction point.

❖ Environment and natural resources management

Zimbabwe's CAMPFIRE (Communal Areas Management Program for Indigenous Resources) devolves authority to local governments (wards) and communities. CAMPFIRE seeks to promote sustainable use of natural resources by assigning local communities responsibility for NR and by allowing those communities to benefit directly from the resources they manage. The role of the government is to establish the administrative structures to operate the program and provide necessary technical assistance and advice. Implementation has been accomplished in partnership with both local and international NGOs and a significant amount of donor support (see Hall and Honadle, 1996). CAMPFIRE's implementation process followed five main steps: 1) support for sustainable management of wildlife was demonstrated and legislation enabling fiscal decentralization was passed, 2) awareness of economic potential of wildlife was promoted in communal areas, 3) tangible benefits were derived from community wildlife management, 4) the funds earned were used effectively for development and conservation, and 5) community awareness of the value of wildlife resources increased and systems for sustainable management were developed (Child, 1996). CAMPFIRE embodies a basic set of democratic governance principles, such as local empowerment, decentralized devolution of authority, responsiveness, accountability, and transparency. The CAMPFIRE model for ENR has spread within Zimbabwe and to other countries. Its success is encouraging other sectors in Zimbabwe to experiment with devolutionary partnerships as well as other countries to consider decentralizing rights to a variety of common property goods.

❖ Education

Social investment funds are a widely used tool in the social sectors that establishes mechanisms and procedures relevant to democratic governance. These funds bring together government, donors, NGOs, private firms, and local communities in partnership arrangements that emphasize responsiveness to local needs, participation, accountability, and transparency. Since 1991 in Peru, the Fondo Nacional de Compensación y Desarrollo Social (FONCODES) has operated a grants program that supports small-scale,

community-managed efforts in collaboration with over 700 local NGOs. In the education sector, FONCODES funded parents associations to organize and manage a school breakfast project. With assistance from a local NGO to develop competitive bidding procedures, the parents groups selected a local firm to provide nutritional supplements. The private firm, under contract to FONCODES, delivers the supplements to a central facility, where the parents verify delivery, authorize payment, and oversee the preparation and serving of the breakfasts in the schools (van der Gaag, 1995).

❖ Private enterprise

Private sector growth can be aided by the development of associations that lobby for change in the rules of the game that would improve the business climate and encourage greater government responsiveness to the needs of the business sector (see Moore and Hamalai, 1993; Grosh and Somolekae, 1996). The donor-supported West Africa Enterprise Network (WAEN) promotes policy dialogue capacity for more supportive business regulations via a phased process of network creation, issue identification, interest articulation, and coalition building (Orsini, Courcelle, and Brinkerhoff, 1996). The national networks began as small, informal groups of entrepreneurs, and slowly evolved toward eventual formalization as legally recognized NGOs. The WAEN is a well recognized case of strengthening civil society mechanisms to interact effectively with public officials.

❖ Agriculture

One way of increasing accountability is through contractual arrangements where agricultural research is carried out by highly trained government researchers who are accountable to others outside the research organization. For example in Senegal, the Comité d'Action pour le Développement du Fogny, a farmers' association with 4000 members in 25 villages, has evolved a partnership with government agricultural researchers. The association has worked with researchers to analyze constraints, identify solutions, conduct on-farm trials and evaluate results. The association contracts with the researchers for services identified through this joint process. The partnership, which has operated for five years, has been quite successful, generating a number of new varieties and technologies that farmers have adopted (Merrill-Sands and Collion, 1994). Ashby and Sperling (1995) also discuss such arrangements, and conclude that, especially where the contracting group has control over research funds, contractual

relationships that set priorities among client groups and research programs can serve as means to increase accountability.¹⁶

4. Offering leverage points for democratic governance

In some cases, and as several of the examples outlined above show, sectoral policies and programs can catalyze and leverage change in the direction of increased democratization. This can take place, for example, through creating a demonstration effect-- showing what is possible, through providing a forum for resolving governance issues around a concrete problem-- conflict resolution and consensus-building, or through mobilizing opinion in support of change-- classic demand-making. A sectoral example of each of these three leverage paths is provided here.

❖ Environment and natural resources management

Across the Sahel, community co-management pilot projects demonstrated that local communities could sustainably manage resources. The successful outcomes of these efforts, such as the USAID-supported Forest Land-Use Planning Project in the Guesselbodi National Forest in Niger and the Swiss-funded forestry projects in the Sikasso Region of Mali, have served to inform the policy debate on devolution of authority for NR among government officials, citizens, and donors.¹⁷ The legislative, policy, and administrative changes that Sahelian governments have made over the past five to ten years, which have gone a long way toward democratizing ENR and encouraging democratic governance, are a direct result of these small-scale pilot activities. Zimbabwe's CAMPFIRE, mentioned above, is another example of this kind of leverage via demonstration effect.

❖ Education

The post-Pinochet period in Chile has been one of seeking to re-establish democracy following the years of military rule. In the education sector the government, with World Bank assistance, began a program in 1992 to improve both the quality and the equitable distribution of primary education: the Programa de Mejoramiento de la Calidad y Equidad de la Educación (MECE-Básica). The program advances the government's education policy: decentralization, encouragement of participation, a reduced and regulatory-focused role for the public sector, and increased reliance on market mechanisms.

MECE-Basica stresses upgrading of infrastructure and teaching materials, student health screening, teacher training, and parental involvement in evaluating school performance and problem-solving. The program has served as a means to help re-establish democratic practices and the reinforce changes in the role of the Chilean state in terms of democratic governance. In the words of one evaluator, educational reform and MECE-Basica "was a way to begin redressing the social deficit of the Pinochet years, but without political confrontation ...[and] ... of linking the new democracy with the old - the state, once more, would assume its responsibility to provide adequate education" (Angell, 1996: 103).

❖ Infrastructure

In the city of Bangalore, an NGO-- the Public Affairs Centre (PAC)-- has piloted the use of citizen satisfaction surveys for public utilities agencies as a way of increasing accountability and transparency (Paul, 1995). The survey revealed low levels of satisfaction across the board, and pinpointed areas needing improvement, including weak supervision, lack of "citizen-friendly" operating procedures, and corruption. Other cities and states in India have expressed interest in PAC's survey work.¹⁸ The introduction of such surveys is an example of an innovation from the infrastructure sector that has important leverage effects for democratic governance. The survey tool constitutes a promising voice and demand-making mechanism that has the potential to increase service quality and responsiveness to client-citizens (see also Paul, 1991: Langan and Simpkins, 1996).

VI. AVENUES FOR TAKING ADVANTAGE OF DEMOCRATIC GOVERNANCE AND SECTORAL REFORM LINKAGES

This paper has explored the linkages between democratic governance and sectoral reforms, and demonstrated their multiple and complementary connections. The analysis holds implications both for those whose interests lie primarily with democratic governance and those with a specific sectoral focus. For the former, it shows that while democratic governance can be treated conceptually as a discrete construct, in practice much of the "action" of democratic governance happens in a sectoral context. Thus, there can be significant pay-offs for

the promotion of democratic governance by concentrating on the governance dimensions of sectoral reform programs. For the latter, the analysis reveals that the efficiency and effectiveness of sectoral reforms are enhanced by incorporating explicit attention to democratic governance. This potentiality emerges both in terms of the initial conditions that can constrain reform design; and of the availability of social capital, partnerships, and so on that can contribute to reform implementation.

Therefore, the answer to the question of what donors can do to promote democratic governance includes a range of interventions from broad policy dialogue with government officials regarding the role of the state and the macro-economic enabling environment to specific local-level projects in a particular sector with civil society groups. Donors are already doing a lot; most of the examples cited above have been carried out with donor funding. It is beyond the scope of this paper to undertake an in-depth review of donor efforts. This section offers several suggestions regarding where, when, and how to intervene. It concludes with some remarks about political dynamics and democratic governance.

A. CHOICE OF INTERVENTION POINT

Obviously, where to intervene from a donor perspective depends upon the particular agency's objectives, philosophy, resources, and procedures. A fundamental intervention choice is whether or not to work with government. The charters of the multilateral lending institutions, for example, mandate negotiations with national governments. Until recently the World Bank has pointed to its articles of incorporation in defense of a focus on providing the bulk of its assistance to governments. This is changing, however, and the Bank is developing new relationships with NGOs. Among numerous donors, the last ten years have seen a pendulum swing away from assistance to the public sector as a function of the perception that governments were "the problem" and that markets, and then NGOs, were "the solution." Of late, the pendulum shows some indications of moving back in the direction of government (e.g., World Bank, 1997). This move is accompanied by a change in perspective, though: government does indeed have an essential role to play, but it is not the only important actor.

However, several of the bilateral donors-- USAID and the Nordic countries, for example-- have a strong commitment to, and long experience with, NGOs and

civil society. A growing body of conceptual and empirical work indicates that an exclusive focus on extra-governmental actors is insufficient to promote development, and in some cases may in fact be destabilizing. If civil society groups' demands for democratic governance are not matched by government capacity to deliver on those demands, levels of dissatisfaction and disappointment can grow to potentially precarious heights. A balanced approach is called for; one that capitalizes on the potential strengths of civil society, the private sector, and government together, but that does not assume that governments can "rise to the occasion" without assistance (see Brinkerhoff, 1996b; Coston, 1997a). Further, as Evans (1996) concludes, the synergies of state/civil society partnership will not achieve their potential without competent and capable government administration.

Within the government sphere, the literature and experience converge strongly on the desirability of expanding beyond intervening at the central level. Decentralization in its various forms is an important mechanism both for democratic governance and for sectoral reforms (Blair, 1996; IPC, 1996). Its current popularity, however, is accompanied by an often uncritical assumption of its beneficial effects. Decentralization deserves a significant amount of additional investigation and evaluation (e.g., Bouckaert and Verhoest, 1997).

B. WHEN TO INTERVENE

The question of when to intervene to promote democratic governance involves assessment both of initial conditions that inform "go/no-go" decisions, and of changing conditions over the life of an intervention. As Rothchild (1994) notes, writing about Africa, the facilitative conditions for transitions from repressive to democratic regimes are more strongly positive today where African publics no longer accord legitimacy to unitary, top-down states as was common in the past. This observation is true for other regions of the world as well, and opens the door for work on democratic governance. The initial opening notwithstanding, some states have opened the door wider than others. In certain countries, the tolerance for independent activity by civil society is quite limited. In others, tolerance may exist, but the space to play a meaningful role in governance is restricted and confined (Hadenius and Ugglä, 1996). This suggests that interventions with an explicit democratic governance focus are more likely to succeed when the initial conditions indicate tolerance for autonomous civil society activity and broad

citizen participation, and openness to rethinking the role of the state. When these conditions are not in place, sector-specific interventions that create leverage for increased democratic governance at a later stage appear to be more appropriate.

Only rarely is a particular donor intervention the first effort undertaken in the country, and once started any intervention takes time to generate change. So the trickier "when" question has to do with changing conditions over time, most acutely in those situations where democratic setbacks occur, for example: The Gambia, Niger, Haiti, or Cambodia. When faced with the acute cases, most bilateral donors follow a policy of suspending work with the public sector when states stray from the path of democratic reform, while maintaining humanitarian assistance and/or work with civil society. Under conditions of change, an intervention strategy along two avenues is appropriate: a) policy dialogue with government to build (or reestablish) commitment to, and progress toward, democratization and democratic governance; and b) assistance to civil society groups via sectoral interventions, which can have the democratic governance spillover effects described in the analysis above, and/or via support to advocacy, demand-making, and consensus-building efforts, which can reinforce internal constituencies and pressure for democratizing reforms. Pursuit of both these avenues requires political sensitivity and realism, elements that have on occasion been weak or missing (see Section D below).

C. WHAT TO DO

It is clear from the above analysis that interventions to promote democratic governance and/or to support sectoral policy reform will not succeed if treated as mechanical blueprints. It is not possible simply to apply a technical fix to complex reform issues; success requires paying attention to the implementation process, and to the need to manage policy reform. The World Bank acknowledges that "...it has become increasingly clear that the loss of capacity in many governments and their continued unsatisfactory performance are due to governance factors. This means that reform programs based on technical measures alone will fail" (1994a: 3). Therefore, deciding what to do requires more than accurate up-front analysis and technical design. It calls for interventions that incorporate a process perspective, which means developing better understanding of institutional and implementation factors, and then providing capacity-building assistance with process as an explicit component of

the intervention (see Brinkerhoff, 1997). The experience of the Implementing Policy Change Project (IPC) of USAID's Center for Democracy and Governance provides some guidance regarding the question of what to do.¹⁹

To help developing country policy-makers, implementors, and NGOs successfully navigate the process side of reforms, both sectoral and related to democratic governance, the IPC project reaches into the toolkit of strategic management concepts and approaches. Strategic management blends an outward-looking focus, forward-thinking leadership, a stakeholder orientation, alliance building, and performance and accountability (Goldsmith, 1996; Kiggundu, 1996). All of these features relate to democratic governance as it has been characterized in this paper. It requires that reformers extend their focus beyond their individual organizations, becoming aware of who and what is out there, and figuring out how to respond accordingly, not simply on a one-shot basis but as an integral part of ongoing operations. This includes the ability to identify key stakeholders, create opportunities for participation, and forge partnerships. Thus, strategic management contributes to improved democratic governance by helping the transition to new structures and rules, and new patterns of interactions. For example, in the IPC experience in Zambia working on rationalizing the role of government, a strategic management focus helped cabinet office staff move away from slavishly clinging to routine procedures and toward greater attention to performance and responsiveness to the electorate (Garnett et al., 1997). This example is also an illustration of providing assistance to reinforce state capacity to supply democratic governance.

In keeping with those who advocate a balanced approach to democratic governance (Coston, 1997a), IPC experience illustrates the need to match performance demands and management structures. As governance reforms alter roles and responsibilities, management structures need to keep pace. A good illustration of this is environmental policy, where the resource co-management policy agenda is often far ahead of the institutional base necessary to implement the new policies, creating a mismatch between the policy goals and institutional capacity to reach them. A core theme in the story of ENR policy implementation in Africa, for example, focuses on how to deal with the lack of fit between performance demands and management structures (Brinkerhoff with Honadle, 1996).

Democratic governance puts a premium on participation, but unstructured and unmanaged participation leads to cacophony and confusion, not good governance. Much of IPC's field activity in specific sectors has dealt with helping reformers to identify who should and can participate, and with creating and supporting arenas and fora that effectively structure and manage their participation.²⁰ As reinforced in the sectoral examples above, donor assistance of this nature is extremely useful in giving people models for, and experience with, participatory and responsive governance, as well as contributing to more effective sectoral policy implementation. Viable participatory mechanisms are central to the state-society realignments that characterize improved democratic governance and that are associated with many sectoral reform strategies.

Another key IPC lesson related to participation is the need to actively build a constituency for reform and to develop consensus among the members of that constituency on the steps to be taken for policy implementation. Since initial support for the reforms identified is often absent, an adequate constituency for reform must be nurtured over time; the reform must be marketed and promoted. Constituency-building aims to create a new set of beneficiaries and stakeholders. Once they have a stake they will be more likely to mobilize to advance and defend their interests in the change (see Crosby, 1996; Frischtak and Atiyas, 1996). Often the initial push for policy change in a sectoral area comes from the outside, for example, from donors or NGOs, seeking to represent the interests of the poor, women, or small farmers. This can be important to overcome the inertia to launch the change process and, as Hadenius and Ugglä (1996) put it, to lower the transaction costs of organizing to cooperate. However, for reform to be sustainable those involved "on the ground"-- government reformers, NGO partners, civil society groups, citizen-beneficiaries-- ultimately need to take ownership.

Finally, the governance and sectoral issues described above are complex and difficult to sort out; there are no simple solutions, and hard trade-offs often must be made. IPC experience has ratified the importance of incorporating analysis, learning, experimentation, innovation, and redirection in implementation strategy. It is important to recognize that policy formulation and implementation are continuous and iterative processes, not discrete linear steps-- both action and reflection are needed. That reflection can be useful not just in the particular context from which it emerges, but can help inform the efforts of those in

other countries and regions undertaking governance and sectoral reforms. An important avenue that donors can pursue, and one for which they often have a comparative advantage, is the dissemination of lessons learned, the demonstration of successes, and the analysis of failures. Donors' ability to serve as a relatively neutral convener itself, or to provide support to other appropriate developing country conveners (e.g., NGOs, think tanks, research institutes) can facilitate these kinds of dissemination efforts.

D. WHAT ABOUT POLITICS?

It is clear that efforts to improve democratic governance touch upon political issues, whether focused on enabling environment elements such as judicial/legal reforms, on the administrative state via civil service reform, or on sectoral policies and programs. Yet, some analysts and practitioners appear to ignore or at least downplay the fact that changes in the direction of more democratic governance involve significant shifts in access to resources and power, in control and discretion, and in socio-economic relations among different strata of society. This tendency appears most prevalent among certain proponents of civil society, as exhibited in two often automatic assumptions: a) that civil society groups are by their intrinsic nature democratic and participatory, and b) that consensus and cooperation are the natural outcomes of any broadly participatory policy process. Experience challenges these assumptions, and demonstrates that opening up the policy process in the direction of

more democratic governance rarely proceeds smoothly or without serious conflicts, backsliding, and politico-bureaucratic game-playing.

Donors need to remember that in developing countries and economies in transition, "democracy is not easy to put into effect, ... in part at least because it heightens demands and expectations and therefore intensifies competition for public allocations under conditions of severe scarcity" (Rothchild, 1994: 224). These dynamics are highly political and rearrange the slate of winners and losers. Not all losers acknowledge defeat and relinquish their claims gracefully or without rancor; not all winners resist the temptation to take advantage of their victories and entrench themselves in ways that undermine democratic and participatory processes. In many developing countries, the institutional frameworks that set the "rules of the game" and the administrative systems intended to enforce those rules are insufficiently robust to assure that competitive political processes avoid the perversities of elite capture, corruption, and repression (see Evans, 1996).

There is a nearly complete worldwide consensus that democracy, in its various incarnations, is the most effective and viable form of governing the public affairs of human society. Democracy in action, however, is not necessarily "pretty" or "clean." This may be why Winston Churchill said of democracy that it is the worst form of government except for all the others. Reformers would do well to temper their expectations for change with a healthy dose of political realism as they labor to improve democratic governance.

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ENDNOTES

- ¹ UNDP Aide Memoire regarding the Asia Ministerial Conference on Governance for Sustainable Growth and Equity in Lahore, Pakistan, Nov. 18-21, 1996, quoted in VanSant (1996, 1-1).
- ² From An Inquiry into the Nature and Origins of the Wealth of Nations, quoted in Goldsmith (1995, p. 635).
- ³ From Democracy in America, Vol. I, 1835-40, p. 63, quoted in Mansbridge (1995, p. 7).
- ⁴ The classic work on the interface between citizens and service delivery agents is Lipsky (1980), who analyzed the coping behaviors of "street-level bureaucrats" in translating policy mandates into services, where bureaucrats steered services to preferred clients so as to meet agency performance targets. The governance issue here is how to structure managerial incentives for street-level bureaucrats so that their coping behaviors do not significantly distort policy intents (see Winter, 1990).
- ⁵ Private goods and services are those for which use by one person precludes use by others (subtractability) and for which it is feasible to exclude users from consuming the goods and services (excludability). For public goods (e.g., traffic signals, clean air), use by one person does not diminish availability of the good to others, and excluding access by non-paying consumers is not generally feasible. For elaboration, see Piccioto (1995), Ostrom (1990), and Ostrom et al. (1993).

⁶ Rules, transaction costs, and incentives are the “bread and butter” of the New Institutional Economics and the New Institutionalism. For recent discussions see the chapters in Alston et al. (1996), Brinkerhoff (1997), Clague (1997), and Harris et al. (1997). See also Piccioto (1995).

⁷ Brinkerhoff with Honadle (1996) analyzes the implications for natural resources policy, and the application of incentives-based policies more generally. See also Klitgaard (1997) for discussion of incentives and civil service reform.

⁸ For example, this was the strategy behind IPC’s assistance to implementing the West Africa livestock action plan. See Kulibaba (1995) and Holtzman and Kulibaba (1997).

⁹ See also the country case studies that illustrate the importance of these institutional and governance factors in Frischtak and Atiyas (1996).

¹⁰ See for example the literature reviewed in Brinkerhoff with Kulibaba (1996), Knack and Keefer (1995), Haggard and Webb (1994).

¹¹ Among the pioneering proponents of using “learning laboratories” to promote new relationships between public agencies and their clients is David Korten, whose influential and widely cited work on reorienting bureaucracies and empowering citizens in the irrigation sector is a precursor to much of the current thinking on local democratic governance. See Korten (1980) and Korten and Siy (1988).

¹² This linkage is one of the major topics discussed in the World Bank’s 1996 WDR, which offers numerous examples from Central and Eastern Europe and the Former Soviet Union. See World Bank (1996a).

¹³ See the interesting effort to develop indicators for good governance for NRM and biodiversity, which includes a number of these factors, in Caldecott (1996).

¹⁴ For an antidote to blanket acceptance of decentralization’s benefits, see Prud’homme (1995). See also the UNDP decentralization literature review in Klugman (1991), which takes a critical look at the positive evidence for decentralization.

¹⁵ Another well-known example from the irrigation sector of increasing community empowerment and social capital is the Philippines’ National Irrigation Authority. See Korten (1980) and Korten and Siy (1988).

¹⁶ Better accountability increases the probability that client groups will be satisfied with research and extension outputs, thus increasing the chances that the research programs will be sustainable. See Gustafson (1997).

¹⁷ For additional examples, see the two-volume USAID study of successful NRM practices in the Sahel in Shaikh et al. (1988).

¹⁸ The Public Affairs Centre actively disseminates its work through a research/working paper series, and has recently begun publishing a newsletter, “Public Eye.”

¹⁹ The IPC Project has generated a significant set of publications. The discussion here draws mainly on Brinkerhoff (1996b) and the IPC special issue of the journal, World Development (Vol. 24, No.9, September 1996), for which the author was guest editor.

²⁰ Two useful sources from the U.S. public policy and strategic management literature that explore participatory mechanisms and management are: Bryson and Crosby (1992) and Thomas (1995).